EMBASSY OF THE
UNITED STATES OF AMERICA
CANBERRA, AUSTRALIA

Moonah Place Yarralumla ACT 2600

Office of Public Affairs
Telephone: (61) (2) 6214 5873
Facsimile: (61) (2) 6273 3051

TRANSCRIPT

Admiral William J. Fallon, USN
Commander, U.S. Pacific Command

Media Roundtable Discussion

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Susan Crystal
Public Affairs Counselor, US Embassy Canberra:

: Good morning everyone. Thanks for coming out so early. I hope you've availed yourself of tea and coffee. You're welcome to stay afterward. I know everyone has seen the Admiral's bio and you know a lot about him. I just would like to add a few remarks. He's been in Australian this week holding counterpart meetings. He mentioned yesterday at a briefing that he gave at the Embassy, information that I thought was interesting. His area of responsibility stretches from California to Madagascar and he's responsible for three hundred and thirty thousand some servicemen and women. So I imagine with that breadth our journalists here this morning would manage to come up with a few questions. So, I think we're going to let the Admiral start with a few comments and then we'll open up for Q and A. The Admiral is happy to call on people.

Admiral Fallon: Susan, thank you very much. It's a great pleasure to be here. I was to Australia once just a couple of months ago, but it was really just to drop in and say goodbye to Peter Cosgrove as he was leaving the Chief of Defense staff and I had a chance to meet some of the leadership but was not able to do the detailed discussions that I'd like to have done so this is really the first time back. I had a chance to spend a couple of days in Sydney, now over here. The purpose of this primarily was to sit down with counterparts at the annual Australian-US MilReps, that's the title of the meeting, for military representatives to go over the full range of interface that we have with one another and to prep the ground, if you would, for the Australian-US ministerials that are due to come up here in about a month and a half with the Secretaries of State and Defense and their counterparts. So, it was a wonderful opportunity to get to know people from all the armed forces. I spent quite a bit of time with Chief of Defense staff Houston and yesterday with Ric Smith, the Secretary of Defense and many of their people. We, I think, pretty well covered the waterfront on things of interest to both countries.

Little bit of background – I've been in my position now for about six months, a little bit more than six months. I've made a couple of discoveries. One Susan just alluded to – the vast distance which causes me to be on the road probably about half the time. The responsibilities are first and foremost for US military personnel throughout this area and then another major piece of work is the regional engagement throughout the Asia-Pacific area. There's some forty-three nations that are in this region and they range from the mammoth China with about one point three billion people and India to smaller

nations, the islands of the Pacific, so quite a range of people. About sixty per cent of the world's population, half the world's surface and I'm discovering that there's a lot to do. I am delighted to be down here because Australia is the U.S.'s most enduring, most important, most steadfast ally. For a hundred years now we've stood arm in arm through every challenge. We have no stronger, no more steadfast ally in the world and it's a pleasure to be down here to dialogue with my counterparts.

We have a lot going on. I also want to add my personal thanks to the leadership here for their wonderful support in Iraq and Afghanistan. There are very difficult challenges for us. We are working, I believe, making progress. It's not easy, very complex, but my belief here is that there are very few countries in the world that have the capacity and the willpower to do what needs to be done and that's exactly what our forces are trying to do and I'm grateful for the leadership of both nations in helping support our operations there.

I also wanted to thank our counterparts for their support to the U.S. in our recent challenges with tropical storms and Hurricane Katrina. It took a pretty good chunk out of our southern U.S. and we discussed the similarities between these operations to recover from these kinds of disasters and went back to early this year when Australia and the U.S. joined arms in another disaster here with the tsunami and aftermath of the earthquakes in the East Indian Ocean. We learned a lot of lessons from that event and we have seen some terrific opportunities open because as countries realize that these types of things are likely to happen again in the future there's a need to have plans made and to have arrangements agreed in advance to be able to respond effectively and quickly. So we've had several meetings here over the last couple of months. I actually went to one in Thailand during the summer, which had representatives from all the countries, as many agencies as we could round up. We didn't have any trouble getting people to come. There was an awful lot of interest in it - to talk about lessons learned and to talk about how we might be prepared to do this again. I found this to be very useful. We shared, yesterday and the day before, the idea that this gives us a common ground that is not threatening to other nations, in which there's clearly self-interest on the part of all nations to work together in ways that might be helpful to their people. Because of the particular capabilities and capacities that Australian and US military forces bring, this is a great foundation for us to actually get down and start talking and dialoging with people who might otherwise be a little put off by us for one reason or another. So , we're grateful for that opportunity.

There are certainly lots of things to do. We had no lack of challenges as we looked around the region, as we looked at the various things that we have on our plates. As I came into this job and surveyed the range of things, there are some things that keep me going – certainly the situation on the Korean Peninsula. We're hopeful that the Six-Party Talks may in fact bear fruit as I, as you, I'm sure, watch the different reporting. It appears that some progress was made. Whether it's the breakthrough that we are seeking, I'm not sure. We'll have to see how this plays out, but at least it appears that at a minimum, there's been people sitting down and discussing this seriously and potentially we may have a way forward that I think would be certainly in our best interest worldwide.

Other things in the area are the tremendous growth of China and the impact that this nation and its emergence into the world is having. Clearly, this has profound implications for us, and so I've been looking at this. I spent a lot of time visiting nations around the Asia-Pacific area and I recently spent a week in China. I just came back from my first time in many, many years. I had many impressions you may want to pursue some of those. I had the first opportunity to actually sit down with their leadership – primarily military, but I did meet Foreign Minister Lee. We had good discussions about how things are now and where we might be able to go in the future.

There are on-going challenges with terrorists. As I surveyed the scene here, it's clear to me that the nexus of this challenge in the Asia-Pacific region is in Southeast Asia where a combination of capacity, under-capacity, porous borders, lengthy borders, many islands, lots of areas in which people can move relatively freely. Clearly the connections between the terrorist groups, certainly in their methods, as we see exploited around the region. This is of interest clearly to leadership here in Australia as well as ourselves. How we can work together to meet this challenge was a topic of discussion. As we look to around the world at other things, I noted that the day before

my arrival here there was an article press in the U.S., in the Wall Street Journal, in fact, by your Prime Minister, talking about the Proliferation Security Initiative and how important it is to us. The challenge here, of course, is that certain nations have in their capability right now the means of long-range missiles to reach well beyond their own borders. As this capability proliferates and the potential to marry this up to weapons of mass destruction of various types, the future in this area is one that we clearly are very interested in and want to do everything we can to try to keep under control.

At the other end of the spectrum, but no less potentially challenging, is something that might become a real problem and that's the avian flu challenge. The potential for this disease or combination of diseases to mutate something that becomes exceedingly threatening to humans. And again this is a thing that I would expect that most countries would not feel particularly threatened by as we sit down and talk, but I'm finding that this also presents its own challenges because people are afraid of the potential consequences, the impact that this might have on economic activities within countries and between countries and the fact that it appears to be pretty difficult to meet straight on. We're trying to learn as much as we can about this and work with the medical folks to see what measures might be taken in advance to prepare for some eventuality that might cause us a problem in this area.

Probably another dozen things, but I don't want to take up all the time spouting here. We talked about a number of on-going activities we have between the U.S. and Australia. I have to tell you that I was just really pleased with, not only the outcome of our discussions, but with the fact that we appear to be on theme, on target, share very, very strong common goals and objectives in the work we're doing. It's just a true pleasure to come down here and to work with your people. I think with that, I'll turn it over to you and see what's on your mind. Who would like to be first?

Greg Jennett: Since I've got this here, I'm Greg Jennet …

Admiral Fallon: Hi Greg.

Greg Jennett: Admiral, just to pick on that last point – U.S.- Australian discussions. Could you update us on the outcome of your talks with a couple of projects which are underway – like missile defense. And also, is the question of your own force positioning settled? I know Australia has previously been reluctant to have bases here. There are some training grounds being developed since you've come to the job. Has there been any revisiting of that question?

Admiral Fallon: First, let's work backwards. There's no talk about bases. We're not interested in basing. That's not an issue. We're certainly interested in joint training. We did discuss the training program that we have had in the past. There's certainly a very strong desire expressed to me by my Australian counterparts to continue the high-level training that the forces enjoy. This is challenging from the standpoint of the time-distance factor, particularly with so many U.S. forces tied up in the Middle East right now. We had a very successful combined exercise this summer. Talisman Saber was the name it went by. Clearly, a very strong desire to continue that type of exercise. Why is it important? Because it gives us a rare opportunity to have very capable forces working together. Often we'll exercise with other nations, as well Australia, but we find that the purpose of some of these is to bring along, to grow capacity in nations that don't quite have the abilities and materials and training that our people have. So the high-end training is very important. We also talked about the future and what we might do. As you know, your country is bringing on a joint, combined training center up in the north. I think this is really useful for us in the future. For a lot of things, I believe that it's really important that we take advantage of the technologies we have today to make sure that we get maximum value from everything we do. In the past it's been my experience that we very often put a lot of personnel in the field to do training exercises. That was kind of the way it was done. Rather, the measure of effectiveness was often how many forces were able to be brought together and the bigger the better. At least that was the thought process because therefore it was more complex and more challenging for those that had to plan it, execute it, so forth. It's not necessarily the case in reality. What's really important is that we find out what actually happens. To document what people actually do, the decisions that are really made so that we can determine whether we really want these, these are the correct decisions and if they're not, how we get people to recognize what they've done and potentially to do it better

the next time. And so a part of this joint combined training centers, as I understand it is, an ability to actually track what happens with the forces, with the airplanes, with the ships and personnel. I think that's really terrific. We have some of these capabilities in the States. In fact, there's a wide range of things. I think what underpins this initiative is the desire to try and take advantage of technology, lessons learned that have already been assimilated by others – the U.S. in particular. As we, in the U.S., are making an attempt to tie together our various training centers electronically, again the objective is to try to maximize efficiency and take advantage of things that already exist. The potential to link some of our activities and centers with your center here offers us great opportunities for the future. Why? Because, again, it would enable us to engage various forces and capabilities without having to physically move them to get together in one particular place. It also offers the potential to have live activity with real people and real machines merged with synthetic, if you would, activity, virtual activity to increase the complexity of events and thereby be more challenging to people. It's a step at a time. We believe that there are ranges and facilities and capabilities of this part of the world and particularly in this country, that are not available in areas of the Western Pacific. Certainly not to the extent that you have prepared this, We found them to be mutually beneficial. Very useful for our people for training so that's an area we're interested in pursuing.

Missile defense. There was an MOU signed last year by the Defense Secretaries in this regard. I believe, I haven't read this word for word, but I believe it's pretty much a general document, which is an agreement to stay abreast of things, and to keep one informed – one and the other. You are no doubt aware that the U.S. is pursuing vigorously a missile defense program to meet this precise threat I mentioned before. There are certain nations out there. North Korea is a particularly challenging state now with a very significant long-range missile capability, a claim of nuclear weapons – the purpose of these recent Six-Party Talks to try and dissuade them and to disarm them from that - if in fact, it's true. But the potential to have a country with the unpredictability and uncertainly as to intentions, such as this one, with this capability in hand causes us great concern. So we are trying to figure out how we can tie together existing capabilities and develop new ones that would give us some, give our people some protection in this area. And one of my responsibilities is the defense, in fact, of Hawai'i and the Pacific Islands, the U.S. territories and so forth. I'm extremely interested and focused in what's going on here. I think the connection here with Australia would be best characterized as staying abreast of events, seeing what we're doing, to see, make sure that the technologies that are developed are understood and to enable this nation to be cognizant of what's going on in this rapidly changing environment. Okay? Thanks.

Brendan Nicholson: Brendan Nicholson from The Age, Admiral. On the subject of China …
How do you see the situation there developing and do you see any likelihood of a conflict in the Straits of Taiwan and what sort of role would you see for Australia if that happened?

Admiral Fallon: Well, first of all, it's a tremendous amount of change underway. A country of that size, with that many people, it becomes quite apparent when one visits just what goes on in the street – looking around at the mass of humanity is pretty breathtaking. This country is changing dramatically from one which was internally focused for fifty years, or thereabouts, to one that is now expanding rapidly, a dramatic increase in economic capability, expanding its influence and interest worldwide and attempting to come to grips with staggeringly rapid growth rate. I had a chance on this last trip to visit several cities in the eastern part of the country. I have impressions from those stops. I'm told by those who have been that it's significantly different in most of the western part of the country. The economic growth is generally confined to the eastern area and that however impressive the magnificent new structures in the cities and the broad avenues and number of cranes, for example, per block in these cities – it's equally impressive to see how backward and undeveloped vast sections of this country are. So there's clearly a dialectic within the country as they come to grips with this. Nonetheless, for us, the U.S. and Australia, I believe, we've had a security situation in the Pacific for quite a few decades in which U.S. capability provided the predominant backbone, if you would, for the stability, general stability, that we've enjoyed since the end of the second World War. I salute those who have been engaged in this process for these many decades. But as China grows and they clearly expand their interest, day-to-day, week-to-week, not only in the region, but in the rest of the world, I think we

have to recognize that it's not going to be the same state of affairs as occurred before. So there's an awful lot of anxiety, I'll tell you, in the U.S. and it's seen every day in the press. There'll be those who have very differing views of the future. No one claims to have actually, probably not true – some people do claim to have insight into the way things might be – but there are several camps and many see China as exceedingly threatening. They see the large number of people. They see a government that's fundamentally still a communist, totalitarian state that does not give its people a full range of freedoms – certainly that we enjoy. They'd see significant growth in the military. They'd see the acquisition of new weapons systems, particularly from Russia – very willing to sell almost anything for desperately needed cash these days. Then on the other hand …

Paul Bongiorno: Can I just ask a question?

Admiral Fallon: Sure.

Paul Bongiorno: Paul Bongiorno, Channel Ten. How good are the weapons systems they're buying in your view?

Admiral Fallon: Well, let me finish, if I could and I'll come back to the weapons business. But at any rate, China's growth is, I think, particularly in the military, would not be unexpected given their phenomenal economic expansion here in recent days. They are very interested in sustaining economic development, I believe, to meet the growing expectations of their population, to try to satisfy and to pull these many millions of people out of the conditions in which they've been existing. As they engage their neighbors economically and other ways, and as they recognize that they do not, apparently, have materials in the quantities that they need to sustain, apparently, sustain this growth, they are now very much engaged throughout the world in acquiring the energy sources and in solidifying the trade agreements that will sustain economic activity. I'm sure as in any country as large and complex as that there are many people with different ideas and I'm not about to understand all the motivations, but I'm not particularly surprised to see that their military is growing and that they are acquiring other capabilities.

Until very recently, China, from our view, was pretty much completely focused on its own internal activity. Defenses, their vast military, it's pretty large number of folks, although they told me they have begun shrinking the size of that force while I was there, but they have a very large force. It's very clear to me that this thing was designed to be operated pretty much inside, or very close to their own borders. They're now interested in other things. They're interested in protecting, I believe, their sea lanes and probably expanding their, certainly their knowledge of what's going on and so we see their acquisition of new things, different things. Some of these things, I think are not surprising, others cause us some concern, primarily because we don't see, I don't see a particular threat to China right now. There is no nation that I'm aware of that's stated its intent to have any untoward designs on this country or its capabilities and certainly not the U.S. We are wary of the acquisition of some of these systems because, frankly, they're expanding capabilities that are well beyond their borders and we just don't see a need for that. I see a rapidly expanding economy a little bit unhappy with the fact that their military rate of growth appears to be in excess of their economic growth. So that was part of the business of going to see them – to talk to them, to try to better understand what they're about and to dissuade them from any idea they might have that the U.S. in particular has some evil intent towards them or that we had. For example, it was put to me immediately upon arrival in Beijing, "Well, we understand that the U.S. is really going to work hard to contain China's growth." I said, the comment I used was 'nonsense'. We want to work with China because the size of this country, the vast influence, number of people, impact they have on neighboring countries is very, very extensive. We are interested first and foremost in security throughout the Asia-Pacific region and we recognize that we are going to have China as a contributing member to the group of nations if we're going to be successful in that area.

The capabilities of some of their systems. They certainly are more capable than they had been in the past. There's certain systems that we are very interested in making sure that we could counter if required, but my sense right now is they are not near the capabilities that, certainly the U.S., and I'm not sure if it, that they're interested, they

disavowed any intent to get into a competitive cycle with us on this kind of thing and I think that's a good idea. For our side, one of the key messages that I carried to them was the need to expand military to military dialogue and to increase transparency between ourselves. There is in fact very little interaction right now. We have more going on with countries a fraction of that size on a weekly or monthly basis than we do with China and there are a lot reasons for that. But, we'd like to see that change – so my visit this month, Secretary of Defense Rumsfeld paying his first visit next month, and President Bush intending to go in November – a series of meetings at increasingly higher levels and we hope to engage them in a continuing dialogue that would have us move forward together as opposed to some kind of a conflict. So, we're not interested in a conflict.

The question about Taiwan and China, obviously a hot-button item with the Chinese. They want to make sure I understand their position on Taiwan. I was quick to point out, in fact, the U.S. position which is that we want to maintain essentially the status quo that we've stated that we have a belief in a 'One China' policy, but that we are not interested whatsoever in any military moves that would upset the current status. We have every expectation that they would work together with their counterparts in Taiwan to eventually come to a peaceful solution. So we are not, we're doing and pushing in every way to get them to come to a reasonable solution to this thing and not to revert to military means. Makes no sense to me. There's so many ties between the two entities. It's pretty much of a head scratch to imagine what would motivate them to, that they would see advantage in having a military dust-up.

Sandra O'Malley: Perhaps, in a worst case scenario, what roles do you think Australia would play?

Admiral Fallon: I don't know, that's up to Australia to decide what they might do. From the U.S. part, we have an agreement. Our policy with Taiwan dates back for several decades and we've made very clear our position that we intend to ensure that Taiwan is not threatened by an external source. Again, we'd like to see them figure out a way to solve this. There are so many ties that there ought to be, they ought to have a pretty good leg up on it.

John Kerin: Admiral, John Kerin from The Australian. Just one further question on that matter. There seems to be a perception that the ANZUS Alliance from the Australian point of view that it doesn't automatically, I mean in the event of a hypothetical conflict, that it doesn't actually, it obliges Australia to consult, but not actually obliges Australia to support the United States against China in a potential conflict.

Admiral Fallon: I believe the thrust of the ANZUS Alliance is to go to the defense of one another should one of the nations be attacked and that an attack on one would be considered one on the others as well. But the fundamental focus of that alliance, dating back to, I think, September of '51, was one that was intended to strengthen the fabric of peace in the region. That's really the goal. As I recall, one of the paragraphs in the actual treaty was to state publicly and firmly so that there would be no misunderstanding by any nation that an attack on one of the parties would be considered one on the all. I don't think it mentioned Taiwan or China or anything like that. It was designed to be a self-supporting among the nations that signed it. Sir?

Geoffrey Barker: Geoff Barker, Australian Financial Review, Admiral. Last week the great, good Russell Meade was in town and he told a seminar that 9/11 had permanently changed the focus of U.S. security policy from the Atlantic to the Pacific and he projected that in future you'd have Europe and perhaps Latin America as third order items behind the Pacific and the Middle East. First, do you agree? And secondly, what would that imply for your command, particularly in terms of the potential, both asymmetric and state on state issues? And I wonder if I could just ask you another question about North Korea which you raised twice? Particularly in view of the, what happened last week in the wake of the apparent Six-Party agreement and the back-away. Given North Korea's record, do you have any confidence that the, you know, North Korea really can be dealt with in a rational way? I mean, this is a country that kidnaps and drug runs and money launders. It's a gangster regime. Can we really deal with it rationally?

Admiral Fallon: Good question. If I could, before I answer those, I probably ought to go back and make sure I was straight on the Taiwan thing. We are determined to help the Taiwanese meet their legitimate self defense needs. We have stated that we, as a

nation, the U.S., support the notion of 'One China' policy, but that we would do what we could to ensure that Taiwan could defend itself, in fact, if it were attacked.

The shift back to the question of focus in the Pacific after 9/11. I think that may be a little bit of, a little bit much to say because we have tremendous interests in other areas. But there's a clear new attention being paid to the Pacific region for a host of reasons. Not least of which is the size of the population out here, the emergence of China, the challenges of Korea – on and on and on. The extensive trade growth. We have the Strait of Malacca: fifty per cent of the world's oil on a given day is transiting that one choke point. It's of high interest to the U.S., to Australia, to most nations in the world. Tremendous growth in economic inter-dependence between countries. We have historically in the U.S., through the duration of the Cold War, kept our military forces generally balanced, if you would, from the Navy standpoint, for example. We had the fleet split pretty much in half between the Atlantic and the Pacific Fleets. This was really in response to the old Cold War threats of the Soviet Empire and the fact that it was, met us around the world on both sides. That's changed now. We find increasingly that security is spreading in Europe. Certainly, there are challenges of an asymmetric type or a non-large force type that we have to deal with over there but the future challenges, the major challenges appear to be more numerous out in this area than in others. I also think that in the U.S. we have historically had a European focus, probably a legacy of the fact that most of the people that began the country came from Europe and those ties were pretty enduring. As we see demographic changes in the U.S. and we see the realities of changes in trade and other interactions, the focus is much more, much broader and certainly more interesting out this way than it had been in the past. So I think there's a continuation of growth there. I don't think we can afford to focus only on one area. The world's too complex and too inter-dependent and what may occur in one area certainly doesn't appear to be limited very long to that area. Things spread very rapidly, so I think we're going to, we're really increasing our attention in the Pacific. For me this is a lot more work, a lot, a number of issues and things that we have to deal with are certainly growing and certainly keep me well employed, I think for the near future.

North Korea – a very interesting challenge. I don't know how to, I don't know, I wish I had better insight into what goes on in there. I'll give you what I've experienced and what I've heard from pretty good sources. I visited South Korea and I was taken by the phenomenal economic growth in that country. Pretty astounding because I hadn't been there in a number of years. Then I went up to the DMZ and I spent an hour or so up there with the South Korean military in their forward positions, looking into North Korea. The difference is astounding if you haven't had the opportunity to do this, I'd recommend you might consider it. Behind me is this phenomenal, intense activity level. You can feel it. It's a country that by the technical measures has more internet connectivity, it's more wired than any place in the world. A very, very open and free, free-wheeling democracy in action. Every kind of sign of growth and infrastructure and so forth. Highways and railroads and golf training areas and you name it. Look to the north – there's nothing. It's virtually desolate wasteland. It was still late winter so things were naturally brown. For one half hour I stood in an observation post looking north and I never saw a single vehicle. Not one. I saw people hunched over scurrying between huts and houses and villages. I saw bicycles. I'm told by people who have visited the place that people are, in fact, truly starving. I had a visit from (a UN official) who had just come back from North Korea and he told me anecdotal stories that were pretty sad. They're working overtime to try to help alleviate starvation. I took note of the fact that this morning I saw a little blurb, news clip, from some source in North Korea that they've now declared that they don't need any more food aid. That people are doing well and I don't, this certainly doesn't mesh with the stories I've heard. The visuals are pretty gripping and yet this country continues to develop, they claim, nuclear weapons. You've seen all the reports there. They are clever people. They have been engaged in every kind of illicit activity one can imagine. So trying to decipher what they're about is really a challenge. I take it as a positive sign that after several sessions, weeks of negotiations of which it appeared to be a complete stalemate between North Korea and the other nations involved in the six-party talks that there was, at least for some time, apparent agreement to actually move forward. So I would, as our counterparts here would hope, some expectation that we could actually move them forward. South Korea, there are some signs that might give us some hope. South Korea is intently focused on getting closer together and my interactions with their leadership convinced me that they are spending a lot of time

every day working on the idea that eventually there can be some kind of reconciliation between North and South Korea and they see their family and ethnic and many other ties. The number of people who take advantage of an opportunity to actually visit a site in North Korea, which is an interesting, curious event. The North Koreans have opened up a little enclave just north of the border on the east coast in which they invite South Koreans to come up by bus and they can actually say they've been there and see. And South Koreans are signing up for this program at an astounding rate. Some thirty thousand a month, I'm told, that just go up on a bus so that they can be there. South Korea has financed a brand new road and a railroad to cross, that cross right through the DMZ into an economic development zone just north of the border, about ten kilometers north, in which they are actually building factories. The intent would be to employ North Koreans and to actually produce material goods that are certainly needed by every measure in the North and thereby to start, jump-starting some more activity. There are lots of initiatives, particularly by the South Koreans. There's lots of food that's coming in from UN and other places and lots of rice and fertilizer from the south. Certainly, lots of attempts being made to engage these folks. We have been asking the Chinese very seriously to engage with these people as they, it would seem, have more access, historically their relationships are better, certainly than ours, to see what they can do to loosen them up. We'll just have to see, but it is certainly a big challenge. Sir?

James Grubel: Admiral, James Grubel from Reuters. Just in your opening remarks, you mentioned avian flu and I'm just wondering how big an issue this is now for military and strategic planners and do you see that if this does become a pandemic that it's going to pose problems that may need military, military intervention or cause great disruption in the region?

Admiral Fallon: This is one in which I'm learning something new everyday. My understanding of the situation, and we've spent a fair amount of time on it. It was the subject of a serious planning effort by one of my component commanders which they tell me they're ready to brief me when I return. To make sure we better understand it and to have some understanding of the magnitude of a potential problem and how we might respond to it. The danger here is that, as I understand it, this flu exists today, or a version of this flu exists in animals, particularly in birds of various types. The challenge in Asia, particularly, is that you have vast populations who are in very close proximity to these bird populations, whether they are domesticated things like chickens – and we've had the event a couple of years ago where there were millions of birds that were found to be infected and the economic impact of having to destroy these things was significant. But the more serious potential is that this flu, influenza mutates into something that is sustained in human beings. The docs tell me that this has precedent in history. This is not some off the wall, you know, one in a million chances could happen. They don't know exactly what the triggers might be, but that the occurrence of this influenza it can in fact be transmitted to humans. There are now documented cases in several countries in Southeast Asia in particular in which humans are believed to have died from contact with this influenza. Long term challenges is that it mutates to a point where it becomes very easy to transmit between humans. That's when the potential problem would be. The military role here would be from one of having the capacity to help react and to aid populations that might be affected. The one, the bumper sticker, that my doctor puts in front of me is the Spanish influenza epidemic that ravaged the world, I think it was in nineteen eighteen, in which millions and millions of people died in a very short period of time. This isn't something that was stretched out over a long period. People were really dropping very quickly, millions of people in the U.S. and throughout the world so it's really high interest. What can be done to prevent it? What I'm told is that there are inoculations that have some capacity against the existing influenza, but the real challenge will be trying to determine if and when this thing mutates to something that's extremely contagious for humans, how quickly the medical personnel can get access to these infected folks and be able to examine the fluids and develop a vaccine which would then be effective against that particular influenza. This is, they tell me, not something, as they understand it today, can be done in advance. So what's the view here, that as we talk to other countries I think it's very important that – first of all, countries recognize the potential. They may not like it, particularly with the economic impact it might have, but recognize the potential. Not be shy about exchanging information so if in fact it appears that there's an outbreak in some area that as rapidly as possible, those who might have the capacity to do something can find out about it, get to the scene and start dealing with it. We're going

to talk about it. We have a Chiefs of Defense meeting scheduled in Honolulu for next month and I've got that as one of the agenda items. I'd like to talk to the defense chiefs about.

Cynthia Banham: Admiral, Cynthia Banham from the Sydney Morning Herald. You've mentioned quite a number of potential security threats in the region. I wonder what you consider to be the most significant security threat in the Asian region and also what threat you think could be posed by rising tensions between China and Japan and whether you think that's significant?

Admiral Fallon: It's difficult. We're concerned in the U.S., first of all, with the worldwide terror threat. It's not a force on force thing. It's a challenge that we all have to face because the people that perpetrate this kind of activity are throughout the world. They have all kinds of causes. We have a particular challenge with al'Qaeda and their associates who have wreaked havoc in many of our nations and are, obviously, by every statement, determined to continue to do that so that is our number one priority in terms of threat right now, for me. Long term the biggest challenge, I think is how we come to grips with China. Not as a particular threat because I believe that there are hundreds of things that we could be doing together to, that we have common interests and that we ought to be working very hard so that we come to agreements necessary to move forward together in a non-confrontational way. That was, again, the focus of my visit to China was to engage the leadership in getting the contacts started that are going to be absolutely essential to lessening this apprehension, the fear and the unknown and so forth. This is really difficult. As I'm discovering, particularly in Northeast Asia. It isn't a simple, 'Well, China, Taiwan and if we could keep them from a dust-up then everything's wonderful'. You have these historic animosities. These things that have occurred in the past that people haven't forgotten, that they're highly sensitive to. The relationship between China and Japan is one certainly, you know the history as well as I, is one that is not easily forgotten by anyone. From my view, we have to deal with the present and the future. We were certainly engaged, as you were, in World War II and in opposing the Japanese and eventually turning the tide of that war and at the end of the war contributed mightily, as you did, to the defeat of Japan. Since that time, this country has adopted a different political system. It's been in many respects a good example of democracy in action. It's recovered itself economically. It's contributed immensely to the wealth and development of not only Northeast Asia but also the rest of the world in many respects. Nonetheless, there's still historical heritage that's extremely aggravating to people and it's just a reality. But, at the end of the day I think we have to recognize that the past is the past. We need to focus on the future. We need to focus on the things that are of mutual interest that would be helpful to people and move on. It's complex, I recognize that. North Korea, South Korea, Japan so forth, but we just have to move forward. First and foremost it seems to me is to get people to be talking to one another, to get them engaged in common activities which are of mutual interest and then we go from there in disarming. Sir?

Paul Bongiorno: Paul Bongiorno, Channel Ten. What's your assessment of developments in Indonesia and particularly the role that the Indonesian military are now playing?

Admiral Fallon: Great, great question and a hot topic for me. I think that from my U.S. perspective the potential with Indonesia today is a great opportunity for us. You're probably aware that for several decades now, particularly the last half dozen years, the U.S. has not enjoyed very good working relations with this country. A lot of things stemming from human rights abuses and problems in the late nineties. In the aftermath of the tsunami, there's been a remarkable turnabout and I think the motivation for this I primarily the fact that the U.S., Australia and other countries responded very quickly, very selflessly, very generously to help people in need. This was recognized fundamentally for what it is was and we began to see a significant change in attitude and it's certainly been apparent to me. So, as I look at this country I see lots of challenges, of course. It's a developing country, immense. It's as broad as the continental United States in dimension. It straddles your entire northern border. And yet there are other signs that cause one to be optimistic. It is a functioning, rough but functioning, democracy. I often point out to my counterparts back in the US that in their last election, it is my understanding that about three quarters of the eligible population actually voted. Kind of embarrassing to look at numbers in my own country on that regard - something that we just take for granted. And (indistinct) progress. I went to Indonesia and met with President Yudhoyono. I met with General Sutarto, the chief of

their defense and their other leaders. I see a willingness to engage and I think there is a lot of potential. This is the most populous Muslim country in the world. It is significantly more moderate that many of the Islamic nations in the world. It is an opportunity that I think we have to take advantage of and that was in, because you, in this country, are much closer to them. You've had historically greater contact. I believe that – we have, in the U.S., much to learn from your interaction with them and we discussed that. So I think the future is potentially very bright here and we want to take advantage of.

James Grubel: Is it time to start looking at the arms embargo?

Admiral Fallon: This is, in fact, an interesting question. There is a very strong feeling in my country with some of our political leadership that the activities, particularly in the TNI, in the past, have been absolutely the antithesis of what we would expect of behavior in a democracy. However, I believe that there are changes that have occurred and I'm working to try to have demonstrated action that I can take back to show some of the political leadership in my country that there's been enough change to merit some infusion in aid to this country. And particularly things that are not particularly lethal, such as parts for transport aircraft come to mind, which I believe are needed pretty badly. And that I don't think would be contributing to the long term problem. It would help this country to deal with some of their challenges and this would be in our best interest.

Paul Bongiorno: Sorry, what would be the particular need?

Admiral Fallon: The, among other things, need spare parts for transport aircraft. This is something that would be, I believe, very helpful to them as they come to grips with just the sheer dimension of their size – help them in dealing with many of their internal problems. So, we had a chat, President Yudhoyono recently visited the U.S., spoke with President Bush, had meetings with other people. People in my country are looking for performance. They want to see deeds in addition to words and we're trying to work with the military in Indonesia to provide that demonstration to back up their stated intent so that we can move forward. But it is an opportunity, one that I think we should be taking advantage of.

Geoffrey Barker: Geoff Barker again, Admiral. I don't know whether you are concerned or give much thought to this, but I was wondering if you'd given any thought to the future of APEC as the East Asia Summit process develops. Does that come within your area of interest and concern?

Admiral Fallon: It's within my area of interest, not my area of activity but in another lane. But it falls into the category of relationships between countries, sharing common interests. The more of these that can be established, that have substantive progress, I believe the better off we're going to be. The more people find common ground in things that are mutually of interest, the more that people can learn from one another, the better off we're going to be. I'm interested in inclusion, by the way, in this business, not deciding that well, this or that entity or state isn't quite what we had in mind. That's not helpful and that's been a challenge and one of the things that I get a chance to do because I have the opportunity to go and meet with a lot of people is to support the idea that we ought to be looking around to see who else we can bring around as opposed to who we can exclude. I think there's some value there. Okay? Anybody have one last burning crash?

Sandra O'Malley: Can I just ask you, one issue, the question of Burma which obviously wouldn't be a military threat, but in terms of security in the region, because it's so closed, what sort of threat does it pose?

Admiral Fallon: I don't know about threat, but it's a challenge because we do not have a relationship. I don't have any access to, what do they call themselves, Myanmar, now. They're inside of a closed society with a leadership that does not appear to be inclined to act in a way that we would like to see them acting. I personally do not have access into Burma. I don't have an interaction with them. I have discussed this with President Thaksin in Thailand, their next door neighbor. They have probably as extensive a network of connections as anybody so we're relegated right now to third party information on that. Not helpful. I'd love to see a change. This is going to be, I believe, something that the

neighboring nations are going to have to work on. Whether it's within ASEAN or whatever forum they choose to take as the avenue, but it's a concern. With North Korea, it's the other state within the region that is really out there on the fringe and really outside the mainstream of other activity in the region. So it's a concern. I don't know that it poses a particular threat, but I don't know what they're doing with their own people inside and that's probably the biggest, biggest challenge – that they create a situation with long term unrest and that spills over to other, affect other countries. Okay, folks. I think, I probably ought to end it. Thanks for your time. I appreciate the effort. It's great to be here.

DISCUSSION ENDS